

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1805 – SB 2474

March 7, 2018

SUMMARY OF ORIGINAL BILL:

Exempts low-income persons, military families, and applicants who are between 18 and 25 years of age from initial licensure fees imposed by the health related boards (HRB) and other various professional regulatory boards (PRB).

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Exceeds \$1,480,600/FY18-19
Exceeds \$2,961,100/FY19-20 and Subsequent Years

Increase State Expenditures - \$285,700/FY18-19
\$502,700/FY19-20 and Subsequent Years

Other Fiscal Impact - The Health Related Boards had an annual surplus of \$4,526,956 in FY15-16, an annual surplus of \$3,551,254 in FY16-17, and a cumulative reserve balance of \$32,645,083 on June 30, 2017.

The Regulatory Boards had an annual surplus of \$5,725 in FY15-16, an annual surplus of \$2,735,422 in FY16-17, and a cumulative reserve balance of \$26,350,035 on June 30, 2017.

SUMMARY OF AMENDMENT (014422): Deletes and rewrites all language after the enacting clause such that the only substantive change is that it removes the exemption for applicants between the age of 18 and 25 and military families.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – Exceeds \$519,300/FY18-19
Exceeds \$1,038,600/FY19-20 and Subsequent Years

Increase State Expenditures - \$71,400/FY18-19
\$125,700/FY19-20 and Subsequent Years

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The Regulatory Boards had an annual surplus of \$5,725 in FY15-16, an annual surplus of \$2,735,422 in FY16-17, and a cumulative reserve balance of \$26,350,035 on June 30, 2017.

Assumptions for the bill as amended:

- Based on information provided by the Department of Commerce and Insurance (DCI) Division of Regulatory Boards (DRB), the DRB received \$3,428,500 in initial licensure fees in FY17-18.
- Based on Census.gov, the percentage of people living in poverty in Tennessee is 15.8 percent.
- Given the \$3,428,500 in licensure fees for all licensees, it is estimated that at least 15.8 percent, or \$541,703 ($\$3,428,500 \times 15.8\%$), of a similar amount of fees would represent low-income persons.
- The decrease in state revenue is estimated to exceed \$541,703 in FY19-20 and subsequent years.
- Due to the effective date of January 1, 2019, the decrease in state revenue in the first year (FY18-19) is estimated to exceed \$270,852 ($\$541,703 \times 50.0\%$).
- Based on information provided by the Department of Health (DOH), the proposed legislation cannot be accommodated within existing resources. The DOH will require two Regulatory Board Administrative Assistant 2 positions to review and evaluate licenses in order to waive fees for the appropriate individuals.
- The one-time increase in state expenditures associated with the additional positions is estimated to be \$8,600 (\$3,200 computers + \$5,400 office furniture). All of such expenditures are assumed to be incurred in FY18-19.
- The recurring increase in state expenditures associated with the additional positions is estimated to be \$125,670 (\$78,360 salaries + \$27,510 benefits + \$15,800 administrative cost + \$2,800 communications + \$1,200 supplies). Due to the effective date of January 1, 2019, 50 percent of such expenditures, or \$62,835 ($\$125,670 \times 50.0\%$), will be incurred in FY18-19.
- The total increase in state expenditures to the General Fund is estimated to be \$71,435 in FY18-19 ($\$8,600 + \$62,835$), and \$125,670 in FY19-20 and subsequent years.
- In 2017, the HRB had 28,590 initial licensees. An average initial application fee of \$110 is estimated for all HRB. The total licensure fees for FY17-18 is estimated to be \$3,144,900 ($28,590 \text{ applicants} \times \110).
- Given the \$3,144,900 in licensure fees for all licensees, it is estimated 15.8 percent, or \$496,894 ($\$3,144,900 \times 15.8\%$), of a similar amount of fees would represent low-income persons.
- The recurring decrease in state revenue is estimated to exceed \$496,894 in FY19-20 and subsequent years.

- Due to the effective date, the decrease in state revenue in FY18-19 is estimated to exceed \$248,447 (\$496,894 x 50.0%).
- The total decrease in state revenue is estimated to exceed \$519,299 (\$270,852 + \$248,447) in FY18-19, and estimated to exceed \$1,038,597 (\$541,703 + \$496,894) in FY19-20 and subsequent years.
- Pursuant to Tenn. Code Ann. § 4-29-121, all health related and regulatory boards are required to be self-supporting over a two-year period.
- The Health Related Boards had an annual surplus of \$4,526,956 in FY15-16, an annual surplus of \$3,551,254 in FY16-17, and a cumulative reserve balance of \$32,645,083 on June 30, 2017.
- The Regulatory Boards had an annual surplus of \$5,725 in FY15-16, an annual surplus of \$2,735,422 in FY16-17, and a cumulative reserve balance of \$26,350,035 on June 30, 2017.
- It is assumed some Health Related and Regulatory Boards may have to raise their current fees in order to remain self-supporting over any two-year period.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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